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Att: CDM Executive Board

Your ref.:
 CDM Ref 1195

Our ref.:
 MLEH/KCHA

Date:
 07 September 2007

Response to request for review 6 MW RPPL biomass based power plant (1195)

Dear Members of the CDM Executive Board,

We refer to the issues raised in the requests for review raised by three Board members concerning DNV's request for registration of project activity 1195 "6 MW RPPL biomass based power plant" and would like to provide the following clarifications.

Comment 1:

It should be clarified why, if the power plant was taken over by Velcan Renewable Energy Private Limited in 2006 as stated in the PDD, the only authorized participant is the original owner of the plant Rithwik Power Projects Limited.

DNV Response:

It has been confirmed by DNV that Velcan Renewable Energy Private Limited (VREPL) has indeed taken over Rithwik Power Private Limited (RPPL).

Rithwik Power Private Limited was earlier under the ownership of a group of shareholders. However, due to the inability of the previous owners to continue running the plant, all the shareholders decided to sell their shares to Velcan Renewable Energy Private Limited. As per the share purchase agreement, currently RPPL is a 100% subsidiary of VREPL. However, the name of the power plant has been retained as "Rithwik Power Private Limited" as it has been registered as such in the registry of commerce of India.

Therefore, for reasons stated above, RPPL has also been retained as the authorized project participant as well.

Kindly refer to the following attachments in the 'response to the RFR' by VREPL that substantiates the above clarification.

- Evidence No.1: Certified Board Resolution for sale of RPPL to Velcan Renewable Energy Pvt. Ltd, dated 28th October 2006.
- Evidence No.2: Share Purchase Agreement concluded between the original owners and Velcan Renewable Energy Pvt. Ltd dated 30th October 2007.
- Evidence No.3: Share certificates showing 100% shares of RPPL are held by Velcan Renewable Energy Pvt. Ltd

Comment 2:

It should be confirmed that the investment analysis contains only costs associated with the project activity specified in the PDD and not with the original commissioning of the plant in 2002, and explained why this analysis has not been incorporated in the PDD.

DNV Response:


As stated in the PDD as well as in the validation report, Velcan Renewable Energy Private Limited took over Rithwik Power Private Limited with the objective of reviving the biomass based power plant with the help of CDM revenues. Therefore, the project cost for VREPL is deemed to be the “taking over (investment)” cost of the biomass plant in 2006 plus the “additional investment” cost required for reviving the efficiency of the old plant. Based on this combined cost, VREPL has demonstrated the investment analysis for the project activity, with and without CDM revenues. The share purchase agreement between the previous owners and VREPL (attached as evidence No.2 in the response to the request for review by VREPL) justifies the investment costs associated with the project activity in 2006.


In the opinion of DNV, the inclusion of both the investment costs and the additional costs towards reviving the plant, in the IRR analysis is justified in the wake of RPPL being purchased by VREPL. It has been demonstrated that the project activity would not have been viable without the additional revenue from the sale of CER's

The investment analysis was presented by the project proponent in response to the clarification no. 01 raised by DNV (as indicated in Table 3 of the validation report). In line with the EB's requirement (para 90 of EB 26 and para 50 of EB 25), the spreadsheet for IRR analysis to support the additionality discussion for the project was submitted as an annex to PDD. In response to the request for review, the project participant has included the IRR analysis in the PDD.

We sincerely hope that the Board accepts our aforementioned explanations and we look forward to the registration of the project activity.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS


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